

Committee on Ways and Means

HOPE Act Creates New Demand for U.S. and Hemispheric Inputs

- Far from undermining the U.S.—Central America Free Trade Agreement (CAFTA), the Haitian HOPE Act encourages hemispheric integration and promotes the use of U.S. and CAFTA inputs in apparel assembled in Haiti.
 - Just over two-thirds of Haitian apparel exports to the United States are assembled from U.S. and CBI fabric, made from U.S. yarn. The Haitian HOPE Act encourages this partnership to continue to thrive, not to switch to China.
 - The use of non-woven third-country fabric in the bill is tied to and encourages the use of U.S., Haitian, and regional fabric (including from CAFTA countries) through a 50% value-added rule. Haiti must use one unit of qualifying inputs for each unit of Chinese inputs it would want to use in any qualifying Haitian apparel.
 - Only the value-added in a qualifying country (including in CAFTA countries) counts toward meeting the 50% requirement. For example, if Haiti uses fabric produced in Honduras and made from U.S. yarn, the value of that fabric counts toward the 50% requirement. Conversely, if Haiti cuts and sews Chinese fabric into apparel, only the value of the cutting and sewing counts toward the 50%, not the value of the Chinese fabric.
 - The amount of benefits in the first year is capped at 1% of U.S. apparel imports (222 million SMEs) – a level less than current apparel imports from Haiti and equal to only 20% of the total level provided to Africa under AGOA.
- A value-added rule of origin (ROO) is enforceable and already exists under current trade programs.
 - Customs has much experience in enforcing a value-added ROO under the Generalized System of Preferences (GSP), Caribbean Basin, and Andean preference programs; the Israel, Jordan, and Morocco Free Trade Agreements; and the Qualifying Industrial Zone program.
 - A value-added ROO is not more difficult to enforce than a yarn-forward rule of origin because in both cases importers must maintain, and Customs must review, detailed production records to verify that inputs qualify under the ROO.
 - Because fabric generally accounts for more than 50% of the value of a garment, the impact of a 50% value-added rule often is that qualifying apparel must be made with fabric produced in a qualifying country.
 - The bill specifically directs the U.S. Customs and Border Patrol and the importer, when calculating whether an entry qualifies for duty-free treatment, to exclude from the qualifying value any inputs from non-qualifying countries.